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MT LEGISLATIVE HISTORY

Chapter 424 1989

Bill H 685 S _____ Original bill & hist. ✓C

H. Committee on Education & Cultural Resources S. Committee on Taxation

Hearing Date(s)			Hearing Date(s)		
	Feb 17	✓C		Mar 16	✓C
	Feb 18	✓C		Mar 17	✓C
		C			C
		C			C
Date Out	Feb 18	✓C		Mar 17	✓C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

HOUSE FINAL STATUS

CHAPTER NUMBER 316 EFFECTIVE DATE: 3/24/89

HB 684 INTRODUCED BY GRINDE
AMEND THE FOOD, DRUG, AND COSMETIC ACT TO INCLUDE BOTTLED WATER

2/14	INTRODUCED		
2/14	REFERRED TO HUMAN SERVICES & AGING		
2/15	FISCAL NOTE REQUESTED		
2/17	HEARING		
2/18	COMMITTEE REPORT--BILL PASSED AS AMENDED		
2/20	FISCAL NOTE RECEIVED		
2/20	FISCAL NOTE PRINTED		
2/20	2ND READING PASSED	93	4
2/21	3RD READING PASSED	95	4
	TRANSMITTED TO SENATE		
2/28	REFERRED TO PUBLIC HEALTH, WELFARE & SAFETY		
3/03	HEARING		
3/04	COMMITTEE REPORT--BILL CONCURRED		
3/06	2ND READING CONCURRED	50	0
3/08	3RD READING CONCURRED	49	1
	RETURNED TO HOUSE		
3/14	SIGNED BY SPEAKER		
3/15	SIGNED BY PRESIDENT		
3/15	TRANSMITTED TO GOVERNOR		
3/20	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 169 EFFECTIVE DATE: 10/01/89		

HB 685 INTRODUCED BY DAILY
PROVIDE FOR A TAX ABATEMENT PROGRAM FOR HISTORIC PROPERTIES

2/14	INTRODUCED		
2/14	REFERRED TO EDUCATION & CULTURAL RESOURCES		
2/16	FISCAL NOTE REQUESTED		
2/17	HEARING		
2/18	COMMITTEE REPORT--BILL PASSED AS AMENDED		
2/21	2ND READING PASSED	90	6
2/22	3RD READING PASSED	91	7
	TRANSMITTED TO SENATE		
2/27	FISCAL NOTE RECEIVED		
2/28	FISCAL NOTE PRINTED		
2/28	REFERRED TO TAXATION		
3/16	HEARING		
3/17	COMMITTEE REPORT--BILL CONCURRED		
3/20	2ND READING CONCURRED	48	0
3/22	3RD READING CONCURRED	49	0
	RETURNED TO HOUSE		
3/27	SIGNED BY SPEAKER		
3/28	SIGNED BY PRESIDENT		
3/29	TRANSMITTED TO GOVERNOR		
4/03	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 424 EFFECTIVE DATE: 7/01/89		

HB 686 INTRODUCED BY MCCORMICK, ET AL.
CREATE TRADITIONAL NATIVE AMERICAN COUNSELORS ACT

HOUSE BILL NO. 685

INTRODUCED BY DAILY

IN THE HOUSE

FEBRUARY 14, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON EDUCATION & CULTURAL RESOURCES.
	FIRST READING.
FEBRUARY 18, 1989	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
FEBRUARY 20, 1989	PRINTING REPORT.
FEBRUARY 21, 1989	SECOND READING, DO PASS.
	ENGROSSING REPORT.
FEBRUARY 22, 1989	THIRD READING, PASSED. AYES, 91; NOES, 7.
	TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 28, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
MARCH 17, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 20, 1989	SECOND READING, CONCURRED IN.
MARCH 22, 1989	THIRD READING, CONCURRED IN. AYES, 49; NOES, 0.
	RETURNED TO HOUSE.

IN THE HOUSE

MARCH 22, 1989	RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

INTRODUCED BY House BILL NO. 685

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A TAX ABATEMENT PROGRAM FOR HISTORIC PROPERTIES; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1.** **Purpose.** The purpose of [this act] is to provide legislation and guidance for the administration of a property tax abatement program for the restoration, rehabilitation, expansion, and new construction of certified properties located within national register historic districts and properties listed in the National Register of Historic Places.

NEW SECTION. **Section 2.** **Definitions.** As used in [sections 1 through 7], the following definitions apply:

(1) "Board" means the local review board as provided in [section 5].

(2) "Certification" means approval by the board or state historic preservation office of a property's qualification for the property tax abatement under the terms of [this act].

(3) "Contributing" means a building, site, structure, or object with historic architectural qualities, historic association, or archeological value for which a property is significant because:

(a) it was present during a period of significant local or state history and possesses historic design or architectural integrity reflecting its character at that time or is capable of yielding important information about the period; or

(b) it independently meets the criteria for listing in the National Register of Historic Places.

(4) "Rehabilitation" means the process of returning a property to a state of utility through repair or alteration that makes possible an efficient contemporary use while preserving those features of the property that are significant to its historical, architectural, and cultural values.

(5) "Restoration" means the process of accurately recovering the form, details, and setting of a property as it appeared when it was originally built or constructed by removing later work or replacing missing earlier work.

NEW SECTION. **Section 3.** **Historic property tax abatement -- levy limitations.** (1) A historic property undergoing rehabilitation, restoration, expansion, or new construction that has its taxable value increased by at least 5%, as determined by the department of revenue or its agents, and that meets criteria established by the review

process described in [section 5 or 6] may receive a tax abatement during the construction period, not to exceed 12 months, and for up to 5 years following completion of the construction in accordance with subsections (2) and (3). The tax abatement is limited to 100% of the increase in taxable value caused by the rehabilitation, restoration, expansion, or new construction.

(2) In order to confer the tax benefits described in subsection (1), the governing body of the county or incorporated city or town where the improvement occurs shall establish by resolution the process for the use of the tax abatement provisions described in subsection (1).

(3) Property that receives a tax benefit under [this act] is not entitled to any other exemption or special valuation provided by Montana law during the period of the abatement.

(4) (a) The tax abatement applies only to the number of mills levied:

(i) for high school and elementary school district purposes; and

(ii) by the local governing body approving the abatement.

(b) The abatement may not apply to statewide levies.

NEW SECTION. **Section 4. Eligibility.** A property that meets the design review criteria in [section 5] is eligible

for the property tax abatement if it is:

(1) located within the boundaries of a national register historic district and contributes to the district, as determined by the state historic preservation office;

(2) a newly constructed property within the boundaries of a national register historic district that meets design review criteria as being architecturally compatible with the historic district, as determined by the local review board or the state historic preservation office; or

(3) listed individually in the National Register of Historic Places.

NEW SECTION. **Section 5. Responsibilities of local governing bodies -- local review board -- design review process.** (1) A local governing body that approves the tax benefit may designate a local review board to establish an application and review process to certify eligible properties. The review process must include design review criteria based on the secretary of the interior's standards for preservation projects or other standards approved by the state historic preservation office.

(2) The board shall include:

(a) at least three members with professional expertise in history, planning, archeology, architectural history, historic archeology, or another historic-preservation related discipline;

(b) at least one architect; and

(c) up to two members of the general public.

(3) The board shall determine whether a property is eligible under [section 4] and is qualified for the tax abatement. The board shall approve or deny an application for the tax abatement and report its recommendation to the local governing body.

NEW SECTION. **Section 6. Responsibilities of the state historic preservation office.** (1) If the local governing body approving the tax abatement does not appoint a board under the provisions of [section 5], the state historic preservation office shall provide design review assistance and certification for qualifying properties.

(2) The state historic preservation office shall evaluate design review standards submitted to it for approval by the board.

NEW SECTION. **Section 7. Disqualification and penalty.** (1) Following certification and during the period of tax abatement, a property that is altered in a way that adversely affects those elements that qualify it as historically contributing must be disqualified from receiving the tax abatement.

(2) If a historic property that has received a tax abatement under [this act] is disqualified, the owner is liable for back taxes, interest, and a penalty. These

assessments must be extended against the property on the next general real property tax roll, to be collected and distributed in the same manner as the currently assessed real property tax. The back taxes, interest, and penalty must equal the sum of the following:

(a) the difference in the total real property taxes due during the years the tax abatement was in effect and the total real property taxes which would have been due had the special assessment not been in effect for those years;

(b) interest on the amount calculated in subsection (2)(a) at the rate for delinquent property taxes provided for in 15-16-102; plus

(c) a penalty of 15% on the sum of subsections (2)(a) and (2)(b).

(3) Back taxes, interest, or penalty may not be imposed on a property transferred to an ownership that makes the property exempt from property taxation or if the property is destroyed by fire or an act of God.

NEW SECTION. **Section 8. Codification instruction.** [Sections 1 through 7] are intended to be codified as an integral part of Title 15, chapter 24, and the provisions of Title 15, chapter 24, apply to [sections 1 through 7].

NEW SECTION. **Section 9. Effective date.** [This act] is effective July 1, 1989.

-End-

The net effect will result in increased collections for the Department of Justice and improved procedures for collection which will allow the Department of Revenue to better administer the collection process.

List of Testifying Proponents and What Group they Represent:

None

List of Testifying Opponents and What Group They Represent:

None

Testimony:

None

Questions From Committee Members:

Senator Gage asked if the $100 an ounce included any amount up to an ounce.

Representative Strizich replied it covers any possession up to an ounce.

Senator Eck asked why the collection have been so low when so much has been assessed.

Representative Strizich replied the key issues have been that forfeitures and seizures under the criminal code had precedence over the tax assessment and collection. Many of the cases are delayed over a period of one to two years and the assets in a case can be dissipated during that period. It also means a long tracking period on the part of the Department often with no results.

Closing by Sponsor: Representative Strizich closed.

HEARING ON HOUSE BILL 685

Presentation and Opening Statement by Sponsor:

Representative Daily, District 69, sponsor, said the bill provides for a tax abatement program for restoration, rehabilitation, expansion, and new construction of certified residential and commercial properties located in national register historic districts.

List of Testifying Proponents and What Group they Represent:

Lee Tuott, Butte Silver-Bow Planning Director

Marcella Shirfy, Historic Preservation Officer, Montana Historical Society

Paul Powers, former Historical Preservation Officer in Butte-Silverbow

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Lee Tuott, Butte-Silverbow Planning Director, presented his testimony in support of the bill (Exhibit #1).

Marcella Shirfy, Historical Preservation Officer, Montana Historical Society, presented her testimony in support of the bill (Exhibit #2).

Paul Powers, formerly the Historic Preservation Officer in Butte, said he developed the proposal as a result of working with a number of people in Butte and across the state who were discouraged by the assessment on their properties when they wanted to make improvements. The bill allows for improvements to made with being penalized and provides the incentive for private and commercial development in historic districts. Often, a great deal of money must be expended to make these properties viable and this bill helps take some of that burden off those people who are interested in restoring some of the historic properties in the state.

Questions From Committee Members:

Senator Mazurek asked how the tax increment districts will mesh with the provisions of this bill.

Mr. Tuott replied the bill states if there is an exemption under another provision such as a tax increment district, then there will be no tax break under the provisions of this bill.

Closing by Sponsor:

Representative Daily closed by saying this bill only applies to local taxes and provides a bit of help and incentive to local people and communities to rehabilitate and improve historic buildings in their areas. He urged the committee to approve the bill.

HEARING ON HOUSE BILL 603

Presentation and Opening Statement by Sponsor:

Representative Raney, District 82, sponsor, said the Environmental Protection Agency has been passing a lot of rules and regulations which have the effect of law, especially concerning leaking underground storage tanks, hazardous waste disposal, and solid waste management. HB603 addresses leaking underground storage tanks. In Montana there a lot of privately owned gas stations and distributorships. The new guidelines from EPA are so burdensome that is difficult for the smaller operations to remain in business. The guidelines require $1 million worth of insurance and clean-up of any leak at any underground petroleum tank site. This bill will assist those small businesses by creating the Petroleum Storage Tank Release Clean-up Plan. The Governor has proposed some amendments which will be explained later in testimony by Steve Visocan.

Representative Raney said the plan is to have discovered all the leaking tanks in the next two year period. There will undoubtedly be a significant number of leaks found in tanks in Montana. The tank owner, when he discovers a leak, will notify the Department of Health and Environmental Sciences, and then prepare a plan for the clean up. That plan will be forwarded to the Department which will then approve the plan and advise the local government of the approval. The owner then proceeds with the clean up maintaining documentation of expenses and procedure which he submits to the Petroleum Tank Release Compensation Board for reimbursement. The Board reviews the claim and determines the eligible expenses for reimbursement. The owner then replaces the tanks and the lines. The fund is intended to assist him and insure him on the environmental release. The cost of the tank and the lines are the responsibility of the owner.

ROLL CALL

TAXATION COMMITTEE

51st LEGISLATIVE SESSION -- 1989 Date 3/16/89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN			X
SENATOR BISHOP	X		
SENATOR CRIPPEN	X		
SENATOR ECK	X		
SENATOR GAGE	X		
SENATOR HAGER	X		
SENATOR HALLIGAN	X		
SENATOR HARP	X		
SENATOR MAZUREK	X		
SENATOR NORMAN	X		
SENATOR SEVERSON	X		
SENATOR WALKER	X		

Each day attach to minutes.

SENATE TAXATION
EXHIBIT NO. 1
DATE 3/16/89
BILL NO. HB 685

Butte-Silver Bow Planning Board

March 16, 1989

Honorable Bob Brown, Chairman
Senate Taxation Committee Members
Montana Centennial Legislature
Helena, MT 59601

RE: HB685 - Testimony in Support of Passage

Gentlemen and Ms. Eck:

On behalf of Butte-Silver Bow, I am testifying in support of HB685. The purpose of HB685 is to provide an incentive to owners of historic properties to restore and rehabilitate historic structures. The statute encourages this activity by providing for a property tax abatement to owners for additional taxes which would result from the improvements to their property. The tax abatement or "freeze" would be effective for at least five (5) years plus a 12 month construction period, if applicable. This bill also provides for a similar tax abatement for expansion of existing buildings and structures and new construction within the historic district which meets design review criteria as being compatible to the historic area.

HB685 provides guidance for local governments which implement the statute; for the lawful administration of the program including the designation of a local review board or the State Historic Preservation Officer; the development of review standards and criteria; and the implementation of other local options. The abatement allows for a one time benefit per property. The abatement runs with the property and a change in ownership does not terminate the tax benefit.

I urge the Committee to approve HB685. It is especially appropriate, as Montana celebrates its centennial, that the Legislature consider the preservation of the State's legacy of historic properties as an important goal.

Sincerely,

Lee C. Tuott, Director
Butte-Silver Bow Planning Board

LCT/dka

SENATE TAXATION
For Senate Taxation
EXHIBIT NO. 2
DATE 3/16/89
BILL NO. HB 685

Montana Historical Society Statement - HB685

The Montana Historical Society is very pleased that this legislation--encouraging the rehabilitation of historic properties through tax abatement--has been introduced. We find its goals and the procedures it proposes to be sound, workable, and appropriate to our Montana situations. This legislation specifically offers Montana communities the opportunity (not the obligation, since this is a local option measure) to create concrete, limited financial incentives for owners of historic properties to improve that property. It also encourages construction of new buildings on available space within historic districts.

Virtually no grant program now exists to help private owners with the rehabilitation of significant historic property. Federal tax incentives are available to owners of income-producing historically significant property. But private homeowners living in and working to maintain historic houses are currently offered no dollar incentive for their good stewardship and often feel as if they are penalized for improvements through increased appraisals. The same is true for owners of commercial property who make small, steady improvements.

Communities now--in ways that havebeen less true--value their historic commercial and residential neighborhoods as resources enjoyed by tourists and sought after by new residents. Communities also now recognize the need to limit strip development--to limit the land area for which community water, sewer, and street services can be provided. This legislation,then, gives communities with a real interest in encouraging new construction and investment in their historically distinctive neighborhoods a mechanism to use.

The financial incentives that a community can choose to use with the authority provided in this bill are not large or out-of-proportion with

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EXHIBIT NO. 2
DATE 3/6/84
BILL NO. HB 685

the longterm financial benefit derived by the community. The reinvestment in historic property encouraged by this bill will pay itself back to the community quickly. But we believe that the possibility of being rewarded--even slightly--or at least not penalized--for being a good steward of a historic property will result in increased private commitment to Montana's heritage.

The duties given to the Preservation Office, Montana Historical Society are ones we carry out in other instances and are appropriate for us. This legislation encourages the development of community preservation offices and commissions. We're pleased to see that. The legislation has the support of existing local preservation programs in communities such as Bozeman and Missoula. It can be of use to many other communit well-established historic districts and growing local preservation organizations such as Great Falls, Miles City, Lewistown, Kalispell, Billings, and smaller communities such as Hardin and Red Lodge.

We find this bill,then, to be a practical, workaday way--this Centennial year--to assist in preservation of our heritage.

Marcella Sherfy
Preservation Officer
Montana Historical Society

PRESERVATION FORUM

Volume 2, Number 4
Winter 1988-89

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Excerpts from the remarks made by leading architect Cesar Pelli to the Cleveland Preservation Symposium 3, *in presenting his design for a major new building in downtown Cleveland.*

6 **Preservation by Negotiation: The Atlanta Process**
By Constance Beaumont

A major Critical Issues Fund grant assisted community leaders in Atlanta with developing a comprehensive historic preservation program through mediated negotiation.

8 **The Effectiveness and Fiscal Impact of Tax Incentives for Historic Preservation**
By Susan G. Robinson

Guidelines and techniques can be used to facilitate the development of policies that are both effective in achieving preservation and practical in terms of fiscal impact upon the community.

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SENATE TAXATION
EXHIBIT NO. 29
DATE 3/16/89
BILL NO. HB 665

The Effectiveness and Fiscal Impact of Tax Incentives for Historic Preservation

by SUSAN G. ROBINSON

Susan G. Robinson is a manager with the Government Finance Research Center of the Government Finance Officers' Association in Washington, D.C. She is responsible for a variety of research, training and advising projects in the areas of financial management and planning.

Ms. Robinson received a Bachelor of Science degree in political science from the University of Utah and a Master of Public Administration degree from the George Washington University.

The quality and character of a city's built environment influence a wide range of business and residential location decisions, and can serve as either a dampener or catalyst for tourism and other cultural activities. Because of these factors, historic preservation has become recognized as an important economic development tool.

Financial Incentives—How They Work

The protection and enhancement of the assets found in our built environment becomes a question of setting priorities and making difficult choices. Financial considerations for the local government, for individuals and for developers are frequently the primary factors upon which the decision to preserve, rehabilitate, or demolish a building rests. These considerations can include the cost of rehabilitation, the value of the site in alternative uses, the current or potential use of the building, and the taxes paid on the property.

Although local land use and zoning regulations have been used in the past to protect specific historic buildings and sometimes neighborhoods, they are typically unresponsive to the financial pressures faced by owners of historic properties. On the other hand, limited public resources generally constrain the local government's ability to provide meaningful subsidies for historic preservation.

The primary purpose of the Government Finance Research Center's (GFRC) study for the Atlanta Historic Preservation Negotiation Project was to examine various types of policies and procedures used to promote effective and fair preservation programs. Specifically, it analyzes the fiscal impacts, both short- and long-term, of selected publicly provided financial incentives for historic preservation. The study provides guidance for evaluating the effects of certain incentive programs on both the landowner's decision to improve the property and on the city's resources. The ultimate goal was to provide guidelines and techniques that could be used to facilitate the development of a policy that is both effective in achieving preservation and practical in terms of fiscal impacts on the community.

Financial incentives attempt to affect market forces in a way that recognizes community values and makes financially feasible the preservation of local history and heritage found in the built environment. They are intended to relieve the economic pressure to demolish older, usually smaller, buildings and to redevelop to the highest use.

There are many variations on the incentive theme. A summary of the factors that justify the use of financial incentives follows.

Preservation: The continued use, restoration or adaptive reuse of historic buildings is a public benefit and property owners who invest in these properties and thereby extend their economic life, should be rewarded for contributing to the public's benefit.

Compensation: Justification for financial incentives is most frequently based on the notion that owners of historic buildings are unfairly burdened by historic preservation laws that prevent alteration or demolition of their buildings. The logic continues that property owners should be compen-

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sated for their inability to develop their property to its highest and best use.

Protection: Incentives are also used to protect property owners from market forces (demand for downtown development) or government regulations (high zoning floor area ratio (FAR)), which escalate their property assessment values and their operating costs.

Land Use Planning: Incentives are used to counter the economic forces that encourage land speculation in the central business district, leading to demolition of existing buildings, vacant property, and leap frog development.

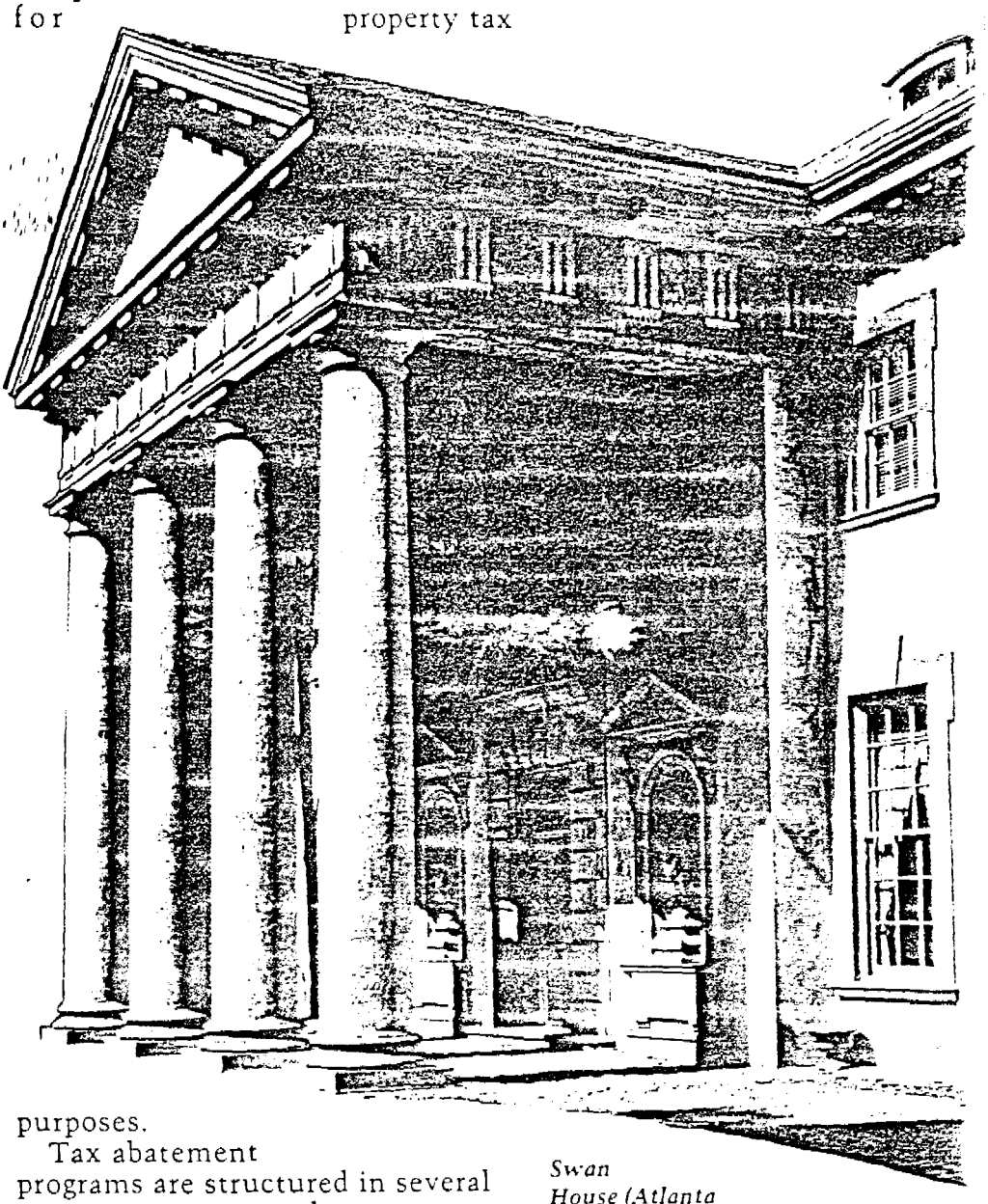
Uncertainty About Federal Rehabilitation Credits: Because federal tax credits for historic rehabilitation have been reduced, many feel that incentives provided by state and local governments may be the only tools available to maintain current preservation activity levels, regardless of other justifications.

State and Local Tax Incentive Programs

Several state and local governments have enacted legislation that encourages historic preservation through tax relief. The local government provisions generally center on the ad valorem taxation of private property, since it is their primary source of revenue. Local governments do not have the inherent power to levy taxes or grant tax relief, but derive this power from the state constitution or other state legislation. Consequently, enabling legislation must generally be enacted before property tax relief can be provided for historic property owners.

Property Tax Abatement

Tax abatement is a procedure that decreases or delays the taxes due on property over a fixed period of time. By lessening the tax burden on the owners of historic preservation projects, a major operating expenditure is reduced. A tax abatement program can compensate for the fact that frequently the property tax functions as a disincentive for building rehabilitation or improvement because such activity results in revaluations and steep increases in assessment for property tax purposes.



Swan House (Atlanta Historical Society), designed by Philip Trammel Schultze.

Tax abatement programs are structured in several ways. For instance, the program can provide a "full" tax abatement. Although called an abatement, a 100 percent tax abatement on a specific property would essentially constitute a tax exemption. Abatement programs are more typically structured to reduce a specific percentage of taxes due, or are accomplished by applying a lower tax rate than usual. A program that uses a specific percentage

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EXHIBIT NO. 24 p.4
DATE 3/14
BILL NO. HB 6

would, for example, be defined as a 25 percent abatement on the property taxes due. A variant is a program structured to provide a lower effective tax by assessing at a lower ratio than other property (e.g., at 30 percent of actual market value rather than 40 percent). In either approach, the local government must determine the length of time for which the tax abatement is available: i.e., five, ten, or more years. Generally, at the end of that period, the assessment returns to the current market value or the assessment ratio to its full rate.

Property Tax Credit

Another approach that can be taken to provide economic relief for historic property owners involves granting a credit upon fulfillment of certain conditions, such as rehabilitation or restoration. The tax credit allows for the subtraction from a presented tax bill, so that as Richard Westin in ***Lexicon of Tax Terminology*** defines it, a credit is "an amount that directly offsets tax liabilities, as opposed to a deduction that only offsets income". The primary advantage of a tax credit is that it specifically links the amount spent on improvement to the tax subsidy. Tax credit programs are also relatively easy to administer, since the burden of providing documentation is shifted to the property owner and the amount of the credit must be determined only once–at the time the property qualifies.

A few states–New Mexico, Montana, and California–provide for credits on state income taxes to encourage historic preservation. New Mexico established its program because its property tax exemption was found to be unconstitutional. Property owners can now claim a credit equal to one-half of their rehabilitation costs up to a maximum of $25,000, or five years of tax liability, whichever is less.

In the state of Maryland, local governments are allowed to provide a credit against real property tax up to ten percent of maintenance and restoration costs for properties in locally designated historic districts; and a credit of five percent for expenses incurred in constructing buildings that are architecturally compatible with the historic district in which they are located. Both credits may be spread over a period of up to five years. The state of Washington also allows for credits against local real property tax bills.

Property Tax Freeze

The tax freeze approach provides tax relief by holding tax payments at prerehabilitation levels and not taxing increases in value for qualifying properties. Using this method, a rehabilitated building has its assessment frozen at the level before rehabilitation and retains that value for a specified period of years. The length of the freeze ranges from five years in some states to as many as fifteen years in others.

According to various authors, this type of financial incentive for historic preservation appears to be the most widely used approach. Some programs or state statutes provide that assessment freezes be limited to residential buildings, others solely to commercial buildings; and still others are for any building type.

Sales Tax Exemption

A sales tax exemption on goods used for historic preservation purposes was also proposed by the Atlanta Historic Preservation Negotiation Project. A sales tax exemption for historic preservation can be used separately, or in conjunction with, more substantial financial incentive programs, such as the tax abatement and tax freeze methods described above. The preservation goal is accomplished by reducing construction costs for the project being contemplated. Used alone, the sales tax exemption method, representing a small component of capital costs, does not appear to provide sufficient "incentive" or cost reduction to the property

Beach-Dickey House in Atlanta's Inman Park neighborhood.

Tax Abatement Case Study: San Antonio, Texas

DATE
BILL NO. HB 685

In June 1980, the city of San Antonio instituted a program to encourage the preservation and rehabilitation of historic buildings. The program provides tax abatements for commercial and residential structures. Commercial structures that have been restored and certified receive a 100 percent property tax abatement for five years after verification. After that, the property is appraised at current market value and assessed at half that value for the next five years. Ten years after certification the property assessment returns to the current market value.

Certified and approved residential structures receive a freeze on assessed value for ten years after certification. At the end of that period, the assessment returns to the current market value. The impetus for both San Antonio ordinances came from the authorizing legislation passed by the Texas legislature in 1977.

Prior to approving the ordinances, the city council reviewed alternative incentive mechanisms. The use of an assessment freeze (as opposed to an assessment abatement) was rejected by the city council for commercial property as providing too little monetary incentive for restoration. The assessment freeze was viewed as sufficient for the residential market, since residential home buyers may weigh the bottom line impact from property taxes somewhat less heavily than commercial ventures.

At the time of this report, there were 110 properties in San Antonio receiving an abatement or assessment freeze; 33 residential and 87 commercial. The market value of the property is $86.7 million. Since enactment of the historic preservation ordinances, city staff estimate that approximately $200 million in historic preservation and restoration has taken place. This investment has been split about evenly between residential and commercial property.

For city council review of the ordinances, staff prepared an analysis that projected the impact of various tax incentive packages. Each of these scenarios projected 20 years of assessments, with the first ten years serving as the period of incentive operation. The incentive packages examined ranged from full abatement for the ten years to an assessment freeze. The assumptions that drove the alternative scenarios were based on actual properties in San Antonio that had been rehabilitated in which the impact on assessments was known. The tax receipts resulting from the alternative scenarios over the 20 years were compared to tax receipts if no restoration had been done and receipts remained flat throughout the period. Under the assumptions used, the tax receipts generated from restored property exceeded those received from unrestored property in all cases; the proportions ranged from 1.26 times to 3.65 times unrestored property tax receipts. The analysis concluded that the incentives would not damage the city's tax collections, and could improve them. Although this analysis is incomplete (the study did not consider inflation-driven increases in property values), the conclusion is credible.

In practice, the results in San Antonio have exceeded the projections. This may be partially a result of the city's policy of terminating the incentive mechanism if the property changes ownership. When restored property is sold, the city returns the assessment to full value, and thus receives full tax collections. This impedes property changing hands while the abatement is in effect.

The administration of the historical preservation program has been relatively easy, according to San Antonio Historic Preservation staff members. By placing much of the administrative burden on the applicant, the paperwork handled by the city staff is minimized. The approval process for historic sites is handled by the city's building inspectors, who coordinate with the Historic Preservation staff. The city is currently working with overlying and underlying jurisdiction (school districts, the county, etc.) to develop a more consistent incentive property tax mechanism among the local governmental jurisdictions. It is hoped that this will improve the incentives and streamline the process for applicants.

SENATE TAXATION
EXHIBIT NO. 29 p.6
DATE 3/16/89
BILL NO. HB 66

owner to spur historic preservation efforts.

Individual Tax Savings vs. Costs to the City

The primary purpose of the GFRC report was to develop methodologies for assessing the effectiveness and fiscal impacts of incentive programs for historic preservation in the city of Atlanta. The property tax incentives described above represent foregone tax revenues to the city as well as tax savings for individuals owning historic properties. These foregone revenues are the opportunity costs the city must absorb in order to encourage the preservation of the community's historic structures.

Public Sector Benefits vs. Costs

To determine the financial feasibility of property tax incentive programs, it is important to develop a means of evaluating each program in terms of its costs (foregone revenues) to the local government and its benefits to the community. Just as businesses evaluate their potential activities and future investments with a bottom-line perspective, so too must a local government evaluate its financial decisions. To be financially viable the public benefits of an incentive program should not only outweigh the public costs but the program should generate the maximum benefit for the community relative to the costs incurred. However, the simplicity and elegance of this theory are greatly complicated by the fact that public costs and benefits are difficult to quantify.

Mull House, Inman Park.

The GFRC developed a property tax model to measure the direct public expenditures (foregone revenues) of the tax incentive methods described above. The model also demonstrated the time value of each–which of the alternatives generated public benefits sooner or costs later. The property tax model was applied to a hypothetical Atlanta building, and to 37 "endangered" historic sites (under certain hypothetical conditions). This presented the range and magnitude of the cost to the city of different types of incentive programs. Initial review of the tax incentives and their uses indicated that for income-producing properties, the property tax taken alone as a project cost component was not powerful enough to foster rehabilitation, but could influence land use decisions in that direction by increasing rates of return.

Given the study assumptions, application of each of the proposed incentive programs provides tax revenues that are equal to, or greater than, those under current law over a twenty-year period. However, this is only true if it is assumed that the property will not be rehabilitated without the incentive program; if the property is renovated without incentives, greater revenues are realized under current law. The foregone revenues in the early years vary considerably as does the margin of increase in revenues. These are important factors in program design; the choice of a specific alternative rests on program objectives and the locality's ability or desire to subsidize preservation activities in the early years of the program.

Using a simplified pro forma, city officials should be able to estimate the impact of the property tax on the property owner's total costs and anticipated rates of return. The city is then in a position to evaluate the potential value of a given tax incentive in terms of the property owner's hurdle rate.*

Measuring the Benefits of Historic Preservation

Ideally, before any tax incentive program is implemented, a fiscal impact study that projects the public costs and benefits of the proposed action should be undertaken. However, many of the benefits in the case of historic preserva-

SENATE TAXATION
EXHIBIT NO. 2a p7
DATE 3/16/89
BILL NO. HB 195

Tax Credit Case Study: Seattle, Washington.

In 1985, the Washington State Legislature adopted a law that allows a special valuation for certain historic properties. The incentive mechanism operating in this case is a reduction in the property valuation that corresponds to the value of improvements made on the property. In order to receive the credit against property taxes, the property owner must make improvements to the property equal to at least 25 percent of the prerehabilitation value of the structure. The credit, which acts as a reduction in assessed value to create a special valuation, applies to the property for 10 years after approval by the local review board.

The following examples will clarify the operation of the Washington program. In the first case, assume a $50,000 structure exists on a $100,000 parcel of land. The owner performs the minimum level of restoration of the structure ($12,500) to apply for the program. Upon approval of the special valuation application, the assessor increases slightly the appraised value of the property and structure to $152,000. Consequently, the special value on the tax rolls is $140,000 ($152,000 less the $12,500 of restoration cost). In another case, assume the structure and land values of the first case. If the owner performs $175,000 in restoration on the structure and land at $165,000 the special valuation is $0. It will remain at $0 until the property value (land and structure) exceeds $175,000.

A property owner must live in a local jurisdiction that has implemented the state law in order to benefit from the program. There are currently 12 such jurisdictions in Washington. The local government must identify the types of historic properties that are eligible and designate a local review board to approve applications. The state developed three broad criteria to guide localities in their evaluation of properties. These include: properties listed in the National Register of Historic Places, or contributing to the significance of a National Register Historic District; properties listed in the Local Register of Historic Places established by the local government; and properties that are of a class approved by the local government.

After improvements are approved and the special valuation has been applied, the property owner must agree during the ten years to maintain the property, to obtain approval before making additional improvements and to make the property available to the public once a year. If property owners violate any of these provisions, they stand to lose the special valuation and must pay back taxes and incur a penalty equal to 12 percent of back taxes.

Applications for special valuation to the local assessor must be made within 24 months of the initiation of restoration work. If property receiving a special valuation is sold, the new owner may continue to enjoy the benefits of the valuation if an agreement is signed with the local review board ensuring that satisfaction of the program requirements continues throughout the balance of the period.

After the applicant submits an application to the assessor, the assessor reviews the application and, within ten days of receipt, submits it to the local review board. The local review board approves or denies applications no later than December 31 of the application year. Upon approval, the board notifies the applicant, the assessor and the state within ten days. The board then executes an agreement with the applicant and returns the application to the assessor. The assessor records and files the agreement with the county recording authority. The special valuation is calculated and entered into the tax rolls as a value separate from the normal assessed value.

Since 1985, when the program was adopted in Seattle, 36 properties have received special valuation and a total of approximately $100 million in restoration costs have been approved. The feeling within the city is that the program is an effective means of encouraging historic preservation, and it is increasingly easy to administer as staff improves the communication channels with the county assessor's office and state preservation office

EXHIBIT NO. 28
DATE 3/16/89
BILL NO. HB 695

tion are difficult to measure in quantitative terms. Beyond the financial considerations, some of which can be quantitatively measured, many factors worthy of consideration can only be discussed in a qualitative sense.

For example, specific historic preservation projects may have substantial neighborhood effects. That is, as a result of such a project, other structures may be rehabilitated and the character of the neighborhood substantially changed. Population changes, such as the out-migration from central cities, may be reversed. These changes have real economic impacts, although they may not be easily measured. The benefits are often marginal or incremental; the effects are secondary (indirect or induced) rather than primary. The GFRC attempted to quantify these benefits whenever possible and identified many of the measurement issues that must be addressed in developing a tax incentive program.

This article is a summary of a report prepared by the Government Finance Research Center as part of a National Trust Critical Issues Fund Grant to the Altanta Historic Preservation Negotiation Project.

Pro Formas and the Property Owner's Rate of Return

The report examines a method (pro forma analysis) that local governments can, and should, use to assess the impact of alternative incentive programs on commercial property owners' investment decisions. All commercial properties are subject to investment decisions–acquisition, new construction, or rehabilitation–and are examined for their impact on the owner's net profits and rate of return on invested capital. The final measure of the efficacy of a given incentive program is its impact on investor behavior. Does the program provide significant economic inducement to the landowner to assure retention and/or rehabilitation of the historic structure in question? Current fiscal and economic development pressures require that city policymakers understand not only public finance but private real estate finance as well to evaluate the effects of incentives. An important tool in this analysis is pro forma. A pro forma is a projection of the anticipated financial performance of a project. Landowners use pro formas to gauge the sensitivity of a project's operating income and rate of return to external changes in the economy and to government regulations and incentives. The analysis of a project's pro forma by the city improves its negotiating position and should leave little doubt as to the explicit (or implicit) rates of return the owner expects and how that can be influenced by the city. The detail of the pro formas will differ, but some sense of how the tax incentives discussed above would work can be gained by examining how incentives would affect the pro forma. Tax incentives may affect the rate of return on investments in the property by lowering the cost of construction, the cost of financing, the operating expenses, or more indirectly, by improving the prospects for gross revenues. The GFRC report applied the tax incentives alternatives to the pro forma of a hypothetical rehabilitation project in Atlanta.

Conclusion

The methodologies developed to analyze the fiscal impact and effectiveness of tax incentives for the historic preservation of the city of Atlanta are applicable to many other local governments. Although additional steps are necessary before an incentive program could be implemented, this report provides a basis for measuring the potential cost and benefits of such a program. ❑

The full research report, on which this article is based, co-authored by John E. Peterson and Susan G Robinson, is available from the Government Finance Research Center, Government Finance Officers Association, 1750 K Street, N.W., Suite 200, Washington, D.C. 20006. (202) 429-2750. The cost is $16, including postage.

SENATE TAXATION
EXHIBIT NO. 20 p9
DATE 3/16/84
BILL NO. HB 685

Tax Freeze Case Study: State of Oregon.

In 1975, the state of Oregon enacted an historic preservation tax incentive program that allows the freezing of tax assessments on National Register of Historic Places' properties for 15 years. The program is administered by the state.

Although there is no tax credit or abatement associated with the program and no physical restoration of property is required, the Oregon program has been successful. Residential or commercial property approved by the state, and meeting all procedural and maintenance requirements met, receive the abatement. Part of Oregon's success with the tax assessment freeze stems from the state's tax structure. Oregon does not have a state income tax; therefore, the property tax is relatively more significant to citizens there than in other states.

Under Oregon's program, an owner of a property listed in the National Register can have the market value of the property frozen for 15 years. During this period, the property owner may choose to restore and improve the property without facing an increased property tax bill as a result of reassessment. The market value is restored at the end of the period, as are the property taxes. The logic of the program is to postpone the negative consequences (increased taxes) of restoring historic sites. By postponing that cost to property owners, the state is encouraging investment in historic preservation. The greatest advantage of the program, other than meeting preservation goals, is the ease with which the program is administered.

Since the program began in January, 1976, the state has placed 843 properties with value of approximately $120 million on the frozen assessment roles. However, there is no plan for administering the return of historic properties to their full valuations, the first of which will occur in 1991. The legislation that established the property tax assessment freeze is scheduled to cease in 1993 absent further legislation. At that point the state will have had 17 years of experience with the existing program, and legislators will be able to examine the program's costs and benefits, as well as the administration of historic properties after the freeze has lapsed.

When ownership of property with a frozen assessment transfers, the assessment freeze may be transferred if the new owner agrees to abide by the terms of the program. The new owner may also choose to reapply for the entire 15 year assessment freeze. The new property owner will again be required, at a minimum, to maintain the condition of the property at a level equal to when it was designated as historic. The penalty for failure to abide by the statute is the amount of taxes that have been avoided multiplied by a 15 percent additional charge.

The Oregon program is not without problems. In periods of rapidly rising property values, individuals have used the program as a hedge against rising property taxes. The fact that there is no requirement to improve or enhance the property makes this type of strategy easier to exploit. A second problem is the converse of the first. Oregon was hurt more than most states by the recession of the early 1980s. The impact of the recession was the deflation in the housing market. As a result, some properties approved for the program had assessments frozen above the true market value as property values dropped. This removed the primary reason for participating in the program. The economy's subsequent improvement has largely resolved this problem.

A third problem with the Oregon program is one shared by all programs that provide property tax incentives; namely, the shift of taxes not collected from historic properties to properties not so designated. The City of Salem, Oregon has examined this issue extensively and has concluded that the tax shift is very small. Under a "worst-case" scenario in which 75 percent of assessable property is designated historic and property values increase at 3 percent annually, the shift to undesignated properties amounts to only two cents per $1,000 after 15 years.

A final problem with the Oregon program is that because it does not require actual rehabilitation to take place, it is difficult to evaluate the real value of the tax freeze incentive in terms of actual restoration of historic properties.

DATE 3/16/89

COMMITTEE ON Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Oppose
Steve Visocan	Montana Petroleum Mkts	603	✓	
Pat McCallum	Helena Insurance Agent	603	✓	
Janelle Fallan	MPA	603	amend	
Anna Alexander	Mt. Petroleum Marketers	603	✓	
Norell Hall	Montana Hist. Society	685		
PAUL M POWELL	BUTTE	685	✓	
DAN STOCKTON JR	MONTANA PET. MKTRS	603	✓	
Chris Kaufmann	MEIC	603	✓	
Jim Mitchell	MT DHES	603	✓	
TED NEUMAN	COUNCIL OF COOPS	603	✓	

DISPOSITION OF HOUSE BILL 642

Discussion: None

Amendments and Votes: None

Recommendation and Vote:

Senator Walker moved that HB 642 Be Concurred In. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL 685

Discussion: None

Amendments and Votes: None

Recommendation and Vote:

Senator Eck moved HB 685 Be Concurred In. The motion CARRIED unanimously.

ADJOURNMENT

Adjournment At: 10:00 a.m.

SENATOR TOM HAGER, Vice Chairman

BB/jdr

MIN317.jdr

ROLL CALL

TAXATION COMMITTEE

51st LEGISLATIVE SESSION -- 1989 Date 3/17/89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN			X
SENATOR BISHOP	X		
SENATOR CRIPPEN	X		
SENATOR ECK	X		
SENATOR GAGE	X		
SENATOR HAGER	X		
SENATOR HALLIGAN	X		
SENATOR HARP		X	
SENATOR MAZUREK	X		
SENATOR NORMAN	X		
SENATOR SEVERSON	X		
SENATOR WALKER	X		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

March 17, 1989

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration HB 625 (third reading copy -- blue), respectfully report that HB 625 be concurred in.

Sponsor: Daily (Bck)

HB CONCURRED IN

Signed: _____

Bob Brown, Chairman

3/17/89
1:10 p.m.

CORRECTED

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON EDUCATION AND CULTURAL RESOURCES

Call to Order: By Chairman Schye, on February 17, 1989, at 3:00 p.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Andrea Merrill, Legislative Council Researcher

Announcements/Discussion: None

HEARING ON HOUSE BILL 685

Presentation and Opening Statement by Sponsor:

Rep. Daily, House District 69, opened stating that Mr. Lee Tuott, Butte Silver Bow Planning Director is present and would be turning the meeting over to him for the presentation of HB 685.

Testifying Proponents and Who They Represent:

Lee Tuott, Butte Silver Bow Planning Director
Marcella Sherfy, Preservation Officer of the Mt. Historical Society
Paul Powers, former Preservation Officer, Butte

Proponent Testimony:

Mr. Tuott stated that this bill coincides with this being Montana's Centennial year. It give businesses and individuals an incentive to renovate Montana's historical structures. He stated that State and federal government do not offer any direct grants for historic preservations, so any incentives that the people of Montana can provide are the only means available for the preservation of these properties. Mr. Tuott stated that there are 23 other states that have offered similar projects of this nature for historic properties. Mr. Tuott stated that this incentive is discretionary for local government. The properties that will be affected are listed in the register of the national historic district. He stated that there are newly constructed properties within those boundaries, and if the

Legislature appropriates design on new properties, whether it is residences or businesses, local government will have the discretion to offer tax incentives for those properties. Mr. Tuott stated that the communities that do not have districts and have older buildings that are historically significant or on the register they will be eligible for this tax incentive. Mr. Tuott stated that there will be an abatement period of up to twelve months of construction and for a five year period following the completion of that construction. An abatement is a freeze limited to 100 percent of the increase of the taxable value of the renovation rehabilitation. The freeze applies only to the number of mills levied for high school and elementary district purposes and the local governing bodies approving the abatement. Mr. Tuott stated that this bill does not apply to statewide levies. Some of the options will be: 1) A local board will review the historical buildings to see if they apply to their guidelines, and 2) a historic preservation officer at the state level will determine if they are in compliance or not. Mr. Tuott stated that local governments will benefit from this bill even if it freezes property taxes for five years. He stated that renovation will increase the value of those properties and the local governments will not have to pay anything. Mr. Tuott stated that this is a re-investment in the existing development areas. Mr. Tuott encouraged the Committee to approve HB 685.

Ms. Sherfy stated that the Historical Society is pleased to have this legislation introduced that encourages the preservation of historical property through tax abatement. She stated that the HS finds that this bill is a sound and workable solution for the communities in Montana. She stated that the financial incentives are not out of line for the communities for the long term financial benefits that it offers the communities. (See EXHIBIT 1).

Mr. Powers stated that while working as a preservation officer in Butte Silver Bow he helped develop this program from observing people that were renovating their homes and were taxed immediately for doing it. He stated that this bill will also help maintain and control spending on new facilities. Mr. Powers urged the Committee's support for HB 685.

Testifying Opponents and Who They Represent:

Ken Morrison, Dept. of Revenue, Property Assessment Administrator

Opponent Testimony:

Mr. Morrison stated that he did not come before the Committee to oppose this bill, but wanted to inform the Committee Members of several technical problems regarding the bill: 1) No

differentiation between residential and commercial property, 2) only applies to real property and not personal property, 3) how to determine the 5 percent increase of property value during construction for the Dept. of Revenue, and 4) he asked the Committee to change the tax year from July 1, 1989 and make it applicable to the 1990 tax year for administrative purposes. (See EXHIBIT 2).

Questions From Committee Members: None

Closing by Sponsor: Rep. Daily closed stating that this will not be mandatory. The local governments have the option to comply if they want to and it will not cost the local governments anything. He stated that this bill only applies to the additional tax assessment that will have to be placed on the property after five years.

HEARING ON HOUSE BILL 9

Presentation and Opening Statement by Sponsor:

Rep. Peck, House District 15, stated that this bill deals with local control protection in terms of the potential of education in this Legislative session. He stated that when developing rules, policies and standards, the Board of Public Education will have to determine the financial impact before publishing the rules, policies and standards in the Montana register. He stated that the BPE will also have the responsibility for developing the fiscal note with the Supt. of the Office of Public Instruction for submission to the board. Rep. Peck explained sub three of the bill stating that the financial impact of a rule, policy or standard that the board wishes to propose for future adoption of the Montana Administrative Procedure Act, and if found by the board to be substantial the board can request that the next Legislative session approve and fund the requests through the Foundation Program. The board may not adopt or propose a rule or standard required before it is submitted to Legislature unless Legislature approves to fund it. Rep. Peck stated that the wording change that was handed down by the supreme court was at the request of the Board of Public Education. Originally the BPE wording was "they say standards no way define a quality education" and the supreme court states that "the minimum accreditation standards do not fully define a quality education". Rep. Peck stated that his understanding of the BPE wording is they can go beyond the standards currently set and create further financial obligations on the state of Montana. Rep. Peck stated that if Legislature places in the new equalization system and the resources to fund it, he felt that it would make districts less able to respond to a mandate from the Board of Public Education.

Testifying Proponents and Who They Represent:

DAILY ROLL CALL

EDUCATION & CULTURAL RESOURCES COMMITTEE

DATE February 17, 1989

NAME	PRESENT	ABSENT	EXCUSED
Rep. Ted Schye, Chairman	✓		
Rep. Fritz Daily, Vice-Chairman	✓		
Rep. Vicki Cocchiarella	✓		
Rep. Paula Darko	✓		
Rep. Ervin Davis	✓		
Rep. Ralph Eudaily	✓		
Rep. Floyd Gervais	✓		✓
Rep. Bill Glaser	✓		
Rep. Dan Harrington	✓		
Rep. John Johnson	✓		
Rep. Tom Kilpatrick	✓		
Rep. Richard Nelson	✓		
Rep. John Phillips	✓		
Rep. Richard Simpkins	✓		
Rep. Wilbur Spring, Jr.	✓		
Rep. Barry "Spook" Stang	✓		
Rep. Fred Thomas	✓		
Rep. Norm Wallin			✓
Rep. Diana Wyatt	✓		
Rep. Tom Zook	✓		

Form CS-30A
Rev. 1985

Committee Copy

EXHIBIT 1
DATE Feb 17, 1989
HB 685

Montana Historical Society Statement - HB685

The Montana Historical Society is very pleased that this legislation--encouraging the rehabilitation of historic properties through tax abatement--has been introduced. We find its goals and the procedures it proposes to be sound, workable, and appropriate to our Mintana situations. This legislation specifically offers Montana communities the opportunity (not the obligation, since this is a local option measure) to create concrete, limited financial incentives for owners of historic properties to improve that property. It also encourages construction of new buildings on available space within historic districts.

Virtually no grant program now exists to help private owners with the rehabilitation of significant historic property. Federal tax incentives are available to owners of income-producing historically significant property. But private homeowners living in and working to maintain historic houses are currently offered no dollar incentive for their good stewardship and often feel as if they are penalized for improvements through increased appraisals. The same is true for owners of commercial property who make small, steady improvements.

Communities now--in ways that havebeen less true in the past--value their historic commercial and residential neighborhoods as resources enjoyed by tourists and sought after by new residents. Communities also now recognize the need to limit strip development--to limit the land area for which community water, sewer, and street services can be provided. This legislation,then, gives communities with a real interest in encouraging new construction and investment in their historically distinctive neighborhoods a mechanism to use.

The financial incentives that a community can choose to use with the authority provided in this bill are not large or out-of-proportion with

the longterm financial benefit derived by the community. The reinvestment in historic property encouraged by this bill will pay itself back to the community quickly. But we believe that the possibility of being rewarded--even slightly--or at least not penalized--for being a good steward of a historic property will result in increased private commitment to Montana's heritage.

The duties given to the Preservation Office, Montana Historical Society are ones we carry out in other instances and are appropriate for us. This legislation encourages the development of community preservation offices and commissions. We're pleased to see that. The legislation has the support of existing local preservation programs in communities such as Bozeman and Missoula. It can be of use to many other communities with well-established historic districts and growing local preservation organizations such as Great Falls, Miles City, Lewistown, Kalispell, Billings, and smaller communities such as Hamilton, Livingston, Glendive, Hardin, and Red Lodge.

We find this bill,then, to be a practical, workaday way--this Centennial year--to assist in preservation of our heritage.

Marcella Sherfy
Preservation Officer
Montana Historical Society

EXHIBIT 2
DATE Feb 17, 1989
HB 685

February 17, 1989

Amendments HB 685

Page 1, line 13
Following: "certified"
Insert: "residential and commercial"

Page 1, line 15
Following: "Places."
Add: "The abatement does not apply to the tax on personal property."

Page 2, lines 23, 24 and 25
Following: "that"
Strike: "has its taxable value increased by at least 5%, as determined by the department of revenue or its agents, and that"

Page 6, After line 24
Add: NEW SECTION. Section 10. Applicability: (This act) applies to tax years beginning after December 31, 1989.

VISITORS' REGISTER

EDUCATION & CULTURAL RESOURCES COMMITTEE

BILL NO. 685 DATE February 17, 1989

SPONSOR Daily

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Marcella Sherfy	Montana Historical Society	—	
Paul W. Powers	BUTTE	X	
Lee Tuott	Butte	X	
Ken Morrison	Helena - DOR	Tech.	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Barnes

STANDING COMMITTEE REPORT

February 18, 1989

Mr. Speaker: We, the committee on Education and Cultural Resources report that House Bill 685 (first reading copy -- white) do pass as amended .

Signed: _____
Ted Schye, Chairman

And, that such amendments read:

1. Title, line 6.
Following: "DATE"
Insert: "AND AN APPLICABILITY DATE"

2. Page 1, line 13.
Following: "certified"
Insert: "residential and commercial"

3. Page 1, line 15.
Following: "Places."
Insert: "The abatement does not apply to the tax on personal property."

4. Page 2, lines 23 through 25.
Following: "that"
Strike: remainder of line 23 through "that" on line 25

5. Page 6.
Following: line 24
Insert: "NEW SECTION. Section 10. Applicability. [This act] applies to taxable years beginning after December 31, 1989."